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Ex Parte

February 4, 1998

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
Mail Stop Code 1170  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

RE: CC Docket No. 95-116

On February 3, 1998, David Brown and the undersigned representing SBC met with Kevin Martin representing Commissioner Furchtgott-Roth to discuss issues in the above referenced docket. The discussion focused on Long Term Number Portability cost recovery scenarios and Operational Support System cost recovery. The SBC representatives advocated total LNP cost recovery in the Federal jurisdiction per tariffs currently pending before the Commission filed on behalf of Southwestern Bell Telephone and Pacific Bell. In the alternative, the SBC representatives acknowledged support for a cost recovery plan that recovers the total costs of Long Term Number Portability in the Federal jurisdiction on a phased basis. The SBC representatives also presented a "test scenario" to determine if a particular Operational Support System cost is a Type II cost or a Type III cost. The attached documents served as the basis for the discussion.

Please include this letter and the attachments in the record of these proceedings in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Acknowledgment and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached concerning this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Link Brown".

Attachments

cc: Kevin Martin

I/Link Brown/0203expctr

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List 12/11/98

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# SBC LNP COST RECOVERY

- End User Charges
  - Currently proposed at \$0.62 for SWBT and \$0.57 for Pacific Bell
  - Applying end user charges to all customers ( multi-line business, single-line business and residence) at the same time results in a 5 year recovery period
  - SBC's first choice for end user charges would be to apply to all customers at the same time amortized over a 5 year period
  - If the Commission were to elect a phased in approach, SBC's preferred method would be:
    - Application to business customers initially in Phase I through V MSA's and selected end offices
    - Application to residence customers in Phase I through V MSA's and selected end offices when 3% of access lines in the MSA or end office are served by alternate providers via facility based, resale, or UNE's
    - Application to residence customers throughout the region on 1-1-2000
    - All costs amortized over a 5 year period

# SBC OSS COST RECOVERY

- Over 120 interconnected and inter-operating systems
- Expenditures would never have occurred absent LNP requirement
- OSS interoperability would be compromised absent OSS LNP modifications
- Total cost = \$83.7M (SWBT only)
  - \$65.9M in Expense
  - \$17.8M in Capital
- Limiting OSS cost recovery to only the new systems required for number portability will:
  - Produce a \$29M recovery shortfall
  - Reduce potential end user charges by only \$.04
  - Require recovery to become implicit in other rates creating an additional subsidy
- The test to determine if an OSS cost is a Type II cost should be on a “If Not for LNP” basis

LNP  
Customer

### ***OSS Costs Depicted:***

## Simplified Service Order Issuance



Integrated STP;s, STP and LRN capabilities. Release 10.10 to support LRN MR (more automated)

# Total OSS Costs

• Category	Expense	Capital	Total
• Billing	\$1.6M	\$1.1M	\$2.7M
• Decision Spt.	.5	na	.5
• Inst. & Mtce	.9	.6	1.5
• Misc.	.09	na	.09
• Operator Svcs.	.8	na	.8
• Provisioning	2.6	.1	2.7
• Negotiation	.1	na	.1
• Testing and Surv.	3.3	6.3	9.6
• Traffic Mgmt.	8.1	3.2	11.3
• <u>Sub- Total</u>	<u>\$18.0M</u>	<u>\$11.3M</u>	<u>\$29.3M</u>
• <i>Service Activation</i>	<i>47.9</i>	<i>6.5</i>	<i>54.4</i>
• <u>TOTAL</u>	<u>\$65.9M</u>	<u>\$17.8M</u>	<u>\$83.7M</u>

# Conclusion

- Disallowing \$29.3M of OSS costs reduces TOTAL Type I and II costs of \$364.7M by 8%.
- 85% of 8% =6.8% reduction in end user recoverable costs
- 100% - 6.8% = 93.2%
- \$.62 (current end-user charge) x 93.2%= \$0.58 (new end user charge)
- \$0.04 Total Reduction